

Camco Inc.

Revised September 24, 1986 (IC)
Destroy all previous Basic and White
cards on this Company

CUSIP Number 132626
Stock Symbol COC

Head Office — 2645 Skymark Ave., Mississauga, Ont. L4W 4H2

Telephone — (416) 629-3000

THE COMPANY manufactures and distributes appliances in Canada under the brand names of Hotpoint, General Electric, Moffat and McClary. The company also exports products to 28 countries.

Fiscal Year	COMPARATIVE DATA							
	Total Assets	Net Fixed Assets	Shldrs. ¹ Equity	Sales	Net Inc. Oper.	Earns. Per Sh.	Divds.	Price Range High Low
	000's					Common		
	\$	\$	\$	\$	\$	\$	\$	\$
1985....	190,923	29,274	71,033	444,670	18,523	1.85	0.42	16.25 10.75
1984....	182,631	25,296	56,710	412,554	14,099	1.41	*0.40	13.13 8.13
1983....	176,332	23,944	46,611	385,144	13,470	1.35	....	....
1982....	148,688	21,225	34,441	331,453	6,506	0.65	....	....

*Includes initial.

CAPITALIZATION AS AT DECEMBER 31, 1985

Outstanding		%
Long-term debt	\$26,119,000	27
Common stock	10,000,000 shs.	39
Retained earnings	33,592,000	34

SUMMARY STATEMENT

For the six months ended June 30, 1986, net income rose marginally to \$6,698,000 from \$6,582,000 for the same period in 1985. Earnings per share in 1986 were 67 cents compared with 66 cents for the year earlier period. Sales of products and services rose 17% to \$232,435,000 from \$198,991,000. On June 25, 1986, the company announced that the London, Ont. plant would be closed in September 1987.

Results for 1985 showed a 31% increase in net income on an 8% gain in sales of products and services compared with 1984 figures. The results were attributed to improved productivity as reflected in more effective cost controls, better product quality and manufacturing flexibility.

Increased dividend rate of 74 cents per share per annum was established with the quarterly payment of 18½ cents per share on Mar. 28, 1986. Previously, an annual rate of 42 cents per share was paid quarterly from Mar. 29, 1985 to Dec. 27, 1985, inclusive.

Capital expenditures amounted to \$8,459,000 in 1985 compared with \$7,172,000 in 1984.

The new Corporate and Consumer Service Centre was opened in April, 1985, on Skymark Avenue in Mississauga, Ontario. Camco's four operations in Toronto were consolidated into this 143,000-sq.-ft. facility which provides a national warehouse for the company's service parts as well as corporate headquarters.

Sale of 1,400,000 common shares (14% interest) by GSW Inc. in April, 1986, reduced GSW's interest in Camco shares to 20%. Canadian General Electric Company Limited continues to hold a 51% interest.

N.B.—For quick reference data, see page 2.

The Financial Post

INFORMATION SERVICE

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QUICK REFERENCE DATA

Major Shareholder—Canadian General Electric Company Limited holds approximately 51% of the outstanding shares and GSW Inc. holds approximately 20% of the outstanding common shares.

Incorporation—Canada, December 6, 1976.

Auditors—Peat, Marwick, Mitchell & Co., C.A., Toronto and Clarkson Gordon, C.A., Toronto.

Employees—The company had approximately 3,745 employees at December 31, 1985.

Fiscal Year Ends—December 31.

Annual Report Appeared—In April in 1986.

Annual Meeting—April 29 in 1986.

Bankers—The Toronto-Dominion Bank and The Canadian Imperial Bank of Commerce.

Listed—COQ, Toronto Stock Exchange.

Shareholders—At December 31, 1985, the company had approximately 805 shareholders.

Transfer Agent and Registrar—The National Trust Company, Montreal, Toronto, Winnipeg, Calgary, Vancouver, Halifax and Regina.

COMPANY

The company manufactures and distributes appliances in Canada under the brand names of Hotpoint, General Electric, Moffat and McClary. In addition, the company exports products to 28 foreign countries. Products manufactured include microwave ovens, dishwashers, room air conditioners, humidifiers, dehumidifiers, refrigerators, automatic washers, electric dryers, and electric ranges.

OPERATIONS

The company is Canada's largest major appliance manufacturer. It manufactures and distributes its products throughout Canada under the brand names General Electric, Hotpoint, Moffat, and McClary, and manufactures private trade label names for retail stores such as Sears, Eatons, The Bay, Simpsons, Woolco, and Canadian Tire. About 90% of the company's products are marketed through retail channels, and the remainder are sold to the builder/developer channel.

Products include refrigerators, ranges, microwave ovens, dishwashers, automatic washers and electric dryers, room air conditioners, portable humidifiers and dehumidifiers.

Consumer Service—The company operates company-owned consumer business in 31 Canadian cities, providing renewal parts and labour service capabilities. There is also a network of over 400 independent service depots and self-servicing dealers which are authorized to perform service repairs to Camco products.

Properties:

Location	Sq. Ft.	Use
Hamilton, Ont.	934,000	Mfg. plant, warehouse, sales office
Montreal, Que.	572,000	Mfg. plant
Orangeville, Ont.	92,000	Mfg. plant
London, Ont.	317,000	Mfg. plant
	219,000	Surplus mfg.
St. Leonard, Que.*	281,000	Distr. warehouse & sales office
Edmonton, Alta.*	101,000	Distr. warehouse & sales office
Mississauga, Ont.	143,000	Corporate headquarters & national service parts warehouse

*Leased.

CAPITAL EXPENDITURES

Additions to fixed assets in recent years have been as follows:

1982	.....	\$1,710,000	1984	.....	\$7,172,000
1983	.....	7,921,800	1985	.....	8,459,000

HISTORY

The company was incorporated under the Canada Business Corporations Act by Certificate Of Incorporation dated Dec. 6, 1976 under the name Canadian Appliance Manufacturing Company Limited. On June 25, 1981, the name of the company was changed to Camco Inc. The company was incorporated to carry on the businesses previously conducted by Canadian General Electric Company Limited and GSW Inc. At that time CGE owned 60% and GSW owned 40% of the outstanding shares of Camco. In October, 1983, a secondary offering of 1,500,000 common shares was made at \$8 per share resulting in CGE owning 51% and GSW owning 34% of the outstanding shares of the company. In April, 1986, GSW Inc. sold 1,400,000 common shares through the facilities of the Toronto Stock Exchange, bringing its interest in Camco to 20%.

DIRECTORS AND OFFICERS

Officers—R. M. Barford, chm.; C. M. Harper, pres. & CEO; W. N. Parker, v-p & gen. mgr., refrigeration and cooking products dept.; Serge Huot, v-p & gen. mgr., laundry and dishwasher products dept.; W. O. James, v-p & gen. mgr., microwave and comfort conditioning products dept.; D. M. DeMaio, v-p & gen. mgr., consumer service dept.; R. Fleetham, v-p corp., human resource; Michel Trudel, v-p, sales & distr.; J. C. Tough, v-p, corp. fin. & sec.; T. R. Suddaby, v-p, western zone; R. W. Meadows, v-p, central zone; J. E. Jones, treas.; N. A. Morrison, compt.

Directors—R. M. Barford, W. R. C. Blundell, A. H. Crockett, M. N. Davies, G. M. Farquharson, C. M. Harper, D. S. R. Leighton, Toronto, Ont.; B. A. Enders, J. C. Truscott, G. D. Wells, Louisville, Kentucky.

CHANGES IN CAPITAL STOCK

The company was incorporated on Dec. 6, 1976 with an authorized capital of 1,000,000 class A shares; 1,000,000 class B shares, and an unlimited number of class C shares. On Dec. 22, 1976, 10 class A shares and 10 class B shares were issued as the initial subscription for organization of the company.

On Jan. 4, 1977, 999,990 class A shares; 999,990 class B shares and 8,000,000 class C shares were issued for the acquisition of property and assets from Canadian General Electric Company Limited and GSW Inc.

On July 25, 1983, the authorized capital of the company was changed to an unlimited number of common shares and the 1,000,000 class A shares; 1,000,000 class B shares and 8,000,000 class C shares which were issued were changed into 10,000,000 common shares on a share-for-share basis. The company became public through a secondary offering of common shares in October, 1983. Common shares outstanding totaled 10,000,000 shares.

CAPITAL STOCK
(As At Dec. 31, 1985)

	Author.	Outstand.
Common	Unlimited	10,000,000 shs.

PRICE RANGE OF STOCK
Common*

Year	High	Low	Year	High	Low
1984	 \$13.13	\$8.13	1985	 \$16.25	\$10.75

*Listed Nov. 9, 1983.

DIVIDENDS

Common—Present rate is 74 cents per share per annum, established with the quarterly payment of 18½ cents per share on Mar. 23, 1986. Previously, an annual rate of 42 cents per share was paid regularly quarterly from Mar. 29, 1985 to Dec. 27, 1985, inclusive.

Initial 10 cents per share paid Mar. 30, 1984, establishing an annual rate of 40 cents per share which was paid quarterly until Dec. 28, 1984, inclusive. An annual rate of 42 cents per share was paid regularly quarterly from Mar. 29, 1985 to Dec. 27, 1985, inclusive.

LONG-TERM DEBT

Note payable—Outstanding at Dec. 31, 1985, \$8,982,000 due in 1987 to Canadian General Electric Company Limited bearing interest at prime commercial lending rates.

Bank borrowings—Outstanding at Dec. 31, 1985, \$17,137,000. The company's bank borrowing agreement provides for a line of credit for a period of eighteen months, such period renewable every six months. The agreement stipulates that the bank will not require payment before 18 months. Accordingly, all bank borrowings are classified as non-current liabilities.

Under the terms of the agreement, financing may consist of banker's acceptances, commercial paper, and/or bank advances with interest rates related to market and official bank prime.

STATEMENT OF CHANGES IN FINANCIAL POSITION Years Ended December 31

	1985	▲1984
	———— \$000's ————	
Cash Generated From (Used In):		
Operating Activities:		
Net income	18,523	14,099
Deprec. & amort.	4,700	4,185
Deferred income taxes	(322)	1,685
Gain sale fixed assets	—	(1,576)
	22,901	18,393
Net change non-cash w.c. balances	8,757	(23,016)
	31,658	(4,623)
Investment Activities:		
Fixed asset additions	(8,459)	(7,172)
Fixed asset disposals	197	3,855
Technology	(135)	—
	(8,397)	(3,317)
Financial Activities:		
Dividends	(4,200)	(4,000)
Mortgage receivable	—	2,652
Other non-current liabilities	729	371
	(3,471)	(977)
Net increase (decrease) cash	19,790	(8,917)

▲As shown in the 1985 Annual Report.

STATEMENT OF INCOME AND RETAINED EARNINGS Years Ended December 31

	1985	1984	1983	1982
	———— \$000's ————			
Sales of products and services	444,670	412,554	385,144	331,453
Less: Employee compensation	119,232	119,761	117,224	102,040
Materials, supplies, etc.	287,511	262,471	237,620	209,268
Add: Gain sale fixed assets	—	1,576	1,454	—
Interest income	1,778	1,626	530	1,568
Net before deprec., etc.	39,705	33,524	32,284	21,713
Less: Deprec. & amort.	4,700	4,185	3,541	2,460
Interest, l.-term debt	5,468	6,595	5,408	9,994
Income taxes: Current	11,336	6,960	9,436	3,005
Deferred	▲322	1,685	429	▲252
Net income	18,523	14,099	13,470	6,506
Add: Prev. ret. earns.	19,269	9,170	22,152	15,646
Less: Dividends	4,200	4,000	1,300	—
Capitalization ret. earns.	—	—	25,152	—
Retained earnings	33,592	19,269	9,170	22,152

▲Add.

Commitments—The company leases premises and equipment over various lease terms of up to ten years. Annual rental payments for these operating leases as at Dec. 31, 1985, were as follows: \$4,500,000 in 1986; \$2,300,000 in 1987; \$2,200,000 in 1988; \$1,800,000 in 1989; \$1,300,000 in 1990; and \$3,300,000 thereafter.

Pension Plans—Based on actuarial valuations as of Dec. 31, 1983, total unfunded past service obligations at Dec. 31, 1985 were estimated at \$14,200,000, of which \$10,800,000 related to vested benefits.

Times Interest Earned:

Before deprec. & amort.	7.26	5.08	5.97	2.17
After deprec. & amort.	6.40	4.45	5.31	1.93

Earnings Per Share:

Common	\$1.85	\$1.41	\$1.35	\$0.65
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BALANCE SHEET AS AT DECEMBER 31

	1985	1984	1983	1982
	\$000's			
Assets				
Current:				
Cash	142	60	596	1,275
Accts. receivable	83,224	70,998	69,974	58,931
Inventories: Finished goods	56,494	62,835	48,182	48,766
Raw mat. & w.i.p.	15,255	18,449	24,814	15,658
Deferred income taxes	2,463	742	1,005	1,625
Prepaid exps. & other assets	951	851	1,365	1,208
	158,529	153,935	145,936	127,463
Mortgages receivable .....	.....	.....	2,652	.....
Fixed Assets:				
Land	2,714	2,557	3,874	3,931
Buildings	19,540	18,005	18,864	20,507
Mach. & equip.	44,475	38,918	33,182	28,562
Less: Accum. deprec.	37,455	34,184	31,976	31,775
	29,274	25,296	23,944	21,225
Patents, trademarks & technology	3,120	3,400	3,800	.....
	190,923	182,631	176,332	148,688
Liabilities				
Current:				
Bank indebtedness	2,270	8,715	7,744	6,206
Accts. pay & accr. liab.	68,167	62,590	67,979	52,432
Income taxes payable	7,136	1,833	10,487	2,338
Unearned service revenue	7,071	6,403	6,334	5,529
	84,644	79,541	92,544	66,505
Bank borrowings	17,137	30,400	22,990	32,960
Note payable	8,982	8,982	8,982	8,982
Pensions .....	.....	.....	.....	1,244
Deferred income tax	3,669	2,270	848	1,039
Other	5,458	4,728	4,357	3,517
	129,930	146,321	149,703	145,247
Shareholders' Equity				
Capital stock	37,441	37,441	37,441	12,289
Retained earnings	33,592	19,269	9,170	22,152
	190,923	182,631	176,332	148,688
▲Inventories valued at the lower of cost (first in, first out) and net realizable value.				
Working Capital:				
Current assets	158,529	153,935	145,936	127,463
Current liabilities	84,644	79,541	92,544	66,505
Working capital	73,885	74,394	53,392	60,958
W/c ratio	1.87 — 1	1.94 — 1	1.58 — 1	1.92 — 1
Equities:				
Net Worth* (\$000's)	71,033	56,710	46,611	34,441
Common	\$7.10	\$5.67	\$4.66	\$3.44
*Available for capital stock; based on shareholders' equity.				
Shares Outstanding:				
Common	10,000,000	10,000,000	10,000,000	10,000,000

(This information is obtained from sources we believe to be reliable, but is not guaranteed)

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